

BUDGET RESPONSIBILITY AND NATIONAL AUDIT ACT 2011

EXPLANATORY NOTES

BACKGROUND AND SUMMARY

Part 1: Budget Responsibility

Evolution of the Government's fiscal framework

5. Legislation underpinning the previous Government's fiscal framework was most recently updated through the Fiscal Responsibility Act 2010 ("FRA 2010"). The Act required the Treasury to meet specific fiscal targets and report on progress to Parliament. It supplemented the fiscal provisions in the Finance Act 1998 ("FA 1998") which established a Code for Fiscal Stability. The code explained the previous Government's principles for fiscal policy, prescribed contents for Budget and Pre-Budget Reports and set out the National Audit Office's (NAO) role in auditing key forecast assumptions.
6. Government is seeking to reform the UK's fiscal framework in a number of ways. The Budget Responsibility and National Audit Act repeals the previous fiscal framework and makes provision for the Government's reforms.
7. The provisions of *sections 1* and *2* supersede a number of elements of the previous fiscal framework. *Section 1* provides for a new Charter for Budget Responsibility, which the Treasury will prepare to describe the Government's fiscal and debt management policy and how this will operate. This provision replaces the requirement in section 155 of the FA 1998 to prepare a Code for Fiscal Stability. The Charter for Budget Responsibility must make provision for the Government's fiscal and debt management objectives and its targets for fiscal policy that delivers these fiscal objectives (the "fiscal mandate"). This requirement supersedes the fiscal targets and reporting procedures of the FRA 2010. *Section 2* concerns the annual Financial Statement and Budget Report (the "FSBR" or the "Budget"), replacing the relevant provisions in the FA 1998.